

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF     )  
DELMARVA POWER & LIGHT COMPANY     )  
FOR APPROVAL OF MODIFICATIONS TO ITS     )     PSC DOCKET NO. 13-349F  
GAS COST RATES (FILED AUGUST 28, 2013)     )

---

**PROPOSED SETTLEMENT**

Delmarva Power & Light Company (“Delmarva” or the “Company”), the Delaware Public Service Commission Staff (“Staff”), and the Division of the Public Advocate (“DPA”), individually each a “Party,” and collectively, the “Parties,” hereby propose a complete settlement of all issues in this proceeding as follows.

**I.     INTRODUCTION AND PROCEDURAL BACKGROUND**

1.     On August 28, 2013, Delmarva filed an application (the “Application”) with the Delaware Public Service Commission (the “Commission”) to modify its Gas Cost Rate (“GCR”) factors, effective on and after November 1, 2013, with proration, and with such revised factors to continue in effect until October 31, 2014. The Application also requested approval of the Company’s proposal to reconcile and true-up actual versus estimated weighted average Commodity Cost of gas assignments for sales under the Large Volume Gas service classification (“LVG”) and for so-called “electing” customers taking service under the Medium Volume Gas service classification (“MVG”), and a revision of the demand charge applicable to non-electing MVG or LVG and Standby Classification.

2. In its Application, Delmarva proposed the following rate adjustments:

	<u>Prior Demand Charge</u>	<u>Prior Commodity Charge</u>	<u>Proposed Demand Charge</u>	<u>Proposed Commodity Charge</u>
RG, GG, and GL	N/A	\$0.68967/Ccf	N/A	\$0.62106/Ccf
Non-electing MVG	\$11.6589/Mcf Billing MDQ	\$5.1051/Mcf	\$11.9198/MCF Billing MDQ	\$4.2536/Mcf
Electing MVG and LVG	\$11.6589/Mcf Billing MDQ	Varies	\$11.9198/MCF Billing MDQ	Varies
Standby Service	\$11.6589/Mcf Standby MDQ	N/A	\$11.9198/Mcf Standby MDQ	N/A

3. The rates proposed in the Application, if approved, would result in a GCR decrease of 9.9% for RG, RSH, and GL customers. Residential space heating customers using 120 Ccfs in a winter month would experience decreases of \$8.23 or 5.5% in their total bill. Customers served on Service Classifications GG, MVG and LVG would experience decreases of between 4.7% and 11.7% on their winter bills.

4. On September 26 2013, the Commission issued Order No. 8457, allowing the GCR factors to become effective with usage on and after November 1, 2013, with proration, on a temporary basis subject to refund, pending evidentiary hearings and a final decision by the Commission.

5. During the course of this proceeding, the Parties conducted substantial written discovery in the form of both informal and formal data requests.

6. Additionally, throughout the year, as well as during the proceeding, the Parties met on several occasions to discuss various issues, including hedging, natural gas markets,

capacity, and other issues related to the acquisition of natural gas supply for Delmarva's natural gas customers. The Parties intend to continue these meetings on a regular basis.

7. The Parties have conferred and have agreed to enter into this Proposed Settlement on the terms and conditions contained herein because they believe that resolving the matter by stipulation will serve the interest of the public, while meeting the statutory requirement that rates be both just and reasonable. Subject to the recommendation of the Hearing Examiner, the Parties agree that the terms and conditions of this Proposed Settlement will be presented to the Commission for the Commission's approval.

## **II. SETTLEMENT PROVISIONS**

8. **GCR Rates**: The Parties agree that the proposed GCR rates filed by Delmarva in its Application should be approved.

9. **Natural Gas Hedging Program**: The Parties agree that Delmarva will continue to execute its Gas Hedging Program in accordance with the Settlement approved in Docket No. 08-266F, and further agree to continue to hold quarterly hedge meetings to review and discuss the hedging program, and, upon consensus, make any potential modifications to the hedging program mechanics.

10. **Lost and Unaccounted for Gas (LAUF)**: The Company continues to work on the resolution of the issue of the LAUF costs associated with serving a large volume gas customer, which was first identified as an issue in Docket No. 12-419F. The Company will provide the Parties with monthly written updates as to the status of this matter until such time as the investigation is complete. Once the investigation of this matter is complete and the actual amount of LAUF costs in question have been determined, the Company will take the steps set forth in the provisions of Paragraph 13 of the Settlement Agreement in Docket No. 12-419F

approved by the Commission in Order No. 8397, dated June 18, 2013.<sup>1</sup> The Company agrees that it will not seek to recover in any future GCR filings costs it incurs related to retaining a technical expert to investigate the LAUF issue.

11. **Improving the GCR Process:** The Parties agree to work together to investigate a framework for future GCR filings that would improve the GCR process, including but not necessarily limited to modifications to existing tariff provisions that will minimize unrecovered costs carried into subsequent GCR filings.

12. **Balancing Charges:** On or before October 1, 2014, the Company will submit a regulatory filing to the Public Service Commission in which the Company will propose changes to the balancing fees associated with its Gas Cost Rate.

### **III. ADDITIONAL PROVISIONS**

13. The provisions of this Proposed Settlement are not severable.

14. This Proposed Settlement represents a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. No Party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue

---

<sup>1</sup> Paragraph 13 of the approved Settlement Agreement for PSC Docket No. 12-419F provides, in pertinent part, as follows: “The parties further agree to approve the reduction in the Deferred Fuel Balance initially by \$2 million for the LAUF costs associated with serving a large volume gas transportation customer (“LG Customer”) which were improperly charged to GCR customers. As Delmarva continues to investigate the LAUF issue involving the LG Customer, Delmarva will provide the Parties with regular updates at least every two months regarding the on-going investigation. Once the actual LAUF costs are finally determined, the Deferred Fuel Balance will be trued-up with interest in the immediately subsequent GCR filing. Within thirty days after the actual LAUF costs are finally determined, the Company will file a report with the Commission which identifies the definitive findings of its investigation and the actual LAUF costs. The report must also address whether the GCR customers were improperly assessed LAUF costs during the period when the LG Customer’s facilities were owned by Conectiv Delmarva Generation, LLC. The Parties agree that regardless of the results of the negotiations between Delmarva and the LG Customer, and subject to applicable law and tariff provisions, GCR customers will not be responsible for any of the LAUF costs associated with serving the LG Customer, whether such costs were incurred before or after the time when the LG Customer’s facilities were owned by Conectiv Delmarva Generation, LLC.”

in agreeing to this Proposed Settlement other than as specified herein, except that the Parties agree that the resolution of the issues herein taken as a whole results in just and reasonable rates.

15. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in this Proposed Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

16. The Parties agree that this Proposed Settlement will be submitted to the Commission for a determination that it is in the public interest and that no Party will oppose such a determination. Except as expressly set forth herein, none of the Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or in previous cases.

17. This Proposed Settlement will become effective upon the Commission's issuance of a final order approving it and all of its terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or Court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

18. The obligations under this Proposed Settlement, if any, that apply for a specific term set forth herein shall expire automatically in accordance with the term specified and shall require no further action for their expiration.

19. The Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. Any final Commission order

related to the enforcement or interpretation of this Proposed Settlement shall be appealable to the Superior Court of the State of Delaware, in addition to any other available remedy at law or in equity.

20. If a Court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order that prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal bar has the same effect, then this Proposed Settlement is voidable upon written notice by any Party to the other Parties.

21. This Proposed Settlement resolves all of the issues specifically addressed herein and precludes the Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Parties may assert (a) if the Commission does not issue a final order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or another governmental body so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Parties of all of the issues in this proceeding.

22. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission fails to grant such approval, or modifies any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Parties agree in writing to waive the application of this provision. The Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

23. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues in this proceeding.

24. This Proposed Settlement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the person or entity executing it (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, intending to bind themselves and their successors and assigns, the undersigned Parties have caused this Proposed Settlement to be signed by their duly-authorized representatives.

**DELAWARE PUBLIC SERVICE COMMISSION STAFF**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**DELMARVA POWER & LIGHT COMPANY**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**DIVISION OF THE PUBLIC ADVOCATE**

By: \_\_\_\_\_

Date: \_\_\_\_\_